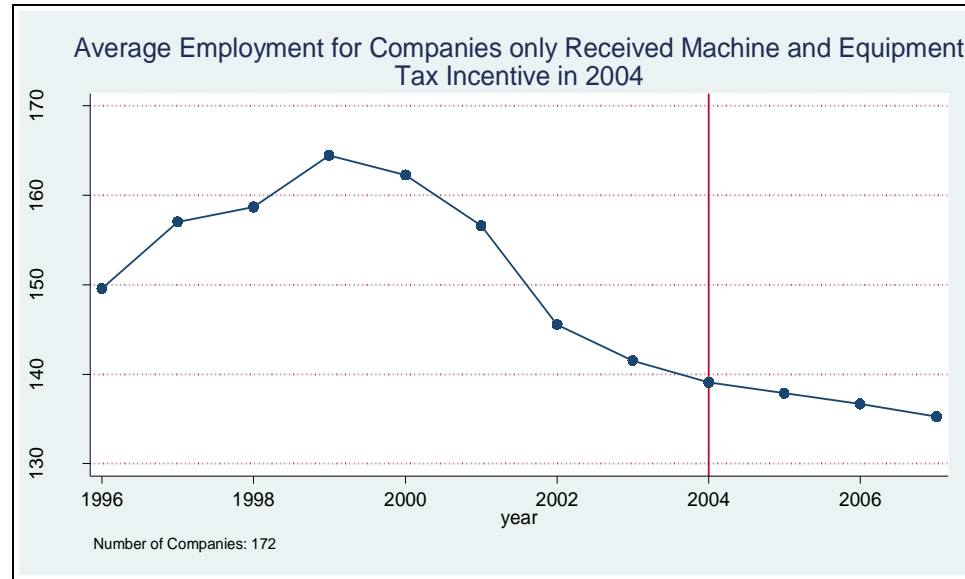


illustrate that companies taking the M&E credit are more susceptible to economic downturns or that these companies are engaging in capitalization—the substitution of labor with capital (i.e. machinery and equipment).

**Figure 11**



An examination of research and development tax credits for 2004 reveals positive employment growth for companies taking an R&D tax credit with other credits (Figure 12graph).

**Figure 12**

